

Fair Political Practices Commission

To: Chairman Randolph; Commissioners Blair, Downey, Karlan and Knox

From: Luisa Menchaca, General Counsel
Lawrence T. Woodlock, Senior Commission Counsel

Subject: Pending Litigation

Date: March 29, 2004

1. *California ProLife Council, Inc. v. Karen Getman et al.*

This action challenges the Act's reporting requirements for express ballot measure advocacy. In October 2000 the Federal District Court for the Eastern District of California dismissed certain counts for standing and/or failure to state a claim, and later granted the FPPC's motion for summary judgment, eliminating further counts in a judgment entered on January 22, 2002. Plaintiff appealed that judgment to the Ninth Circuit Court of Appeal. The Ninth Circuit rejected plaintiff's legal claims, affirming that the challenged statutes and regulations were not unconstitutionally vague, and that California may regulate ballot measure advocacy upon demonstrating a sufficient state interest in so doing. The Ninth Circuit remanded the matter back to the district court to determine whether California can establish a state interest sufficient to support its committee disclosure rules, and whether the state's disclosure rules are properly tailored to that interest. To permit more time for discovery, the district court issued an amended Scheduling Order, providing that discovery will extend to May 17, 2004, with discovery relating to expert witnesses to conclude on August 20, 2004. Dispositive motions, if any, will be heard no later than October 29, 2004. Trial is now set for March 7, 2005.

2. *FPPC v. Agua Caliente Band of Cahuilla Indians, et al.*

The FPPC alleges in this action that the Agua Caliente Band of Cahuilla Indians contributed more than \$7.5 million to California candidates and ballot measure campaigns between January 1 and December 31, 1998, but did not timely file major donor reports disclosing those contributions, and likewise failed to disclose more than \$1 million in late contributions made between July 1, 1998 and June 30, 2002. The FPPC later amended the complaint to add a cause of action alleging that the tribe failed to disclose a \$125,000 contribution to the Proposition 51 campaign on the November 5, 2002 ballot. Defendants responded to the lawsuit by filing a motion to quash service, alleging that they are not required to comply with the Political Reform Act because of tribal sovereign immunity. On February 27, 2003 the Honorable Loren McMaster of the Sacramento County Superior Court ruled in the FPPC's favor. On April 7, defendants filed a petition for writ of mandate in the Third District of the Court of Appeal, challenging the decision of the trial court. The petition was summarily denied on April

24, 2003, whereupon defendants filed a petition for review in the California Supreme Court. On July 23, 2003 the Supreme Court granted review and transferred the case back to the Court of Appeal, where oral argument was heard before Justices Blease, Sims, and Davis. On March 3, 2004, the Court issued its opinion, affirming the Superior Court's decision after concluding that "the constitutional right of the State to preserve its republican form of government trumps the common law doctrine of tribal immunity." The Superior Court set a Case Management Conference for April 1, 2004.

3. FPPC v. Santa Rosa Indian Community of the Santa Rosa Rancheria

In this action the FPPC alleges that the Santa Rosa Indian Community of the Santa Rosa Rancheria failed to file major donor semi-annual campaign statements in the years 1998, 1999, and 2001, involving more than \$500,000 in political contributions to statewide candidates and propositions, and that defendants failed to disclose more than \$350,000 in late contributions made in October 1998. The complaint was originally filed on July 31, 2002, and was amended on October 7, 2002. On January 17, 2003, defendants filed a motion to quash service, based on its claim of tribal sovereign immunity. On May 13, 2003 the Honorable Joe S. Gray of the Sacramento County Superior Court entered an order in favor of defendants. On July 14, 2003, the FPPC appealed this decision to the Third District Court of Appeal, where the matter is now pending. The Attorney General has filed an amicus brief in support of the FPPC's position.

4. FPPC v. American Civil Rights Coalition, et al.

In a lawsuit filed in the Sacramento County Superior Court on Sept. 3, 2003, the FPPC alleges that the American Civil Rights Coalition ("ACRC") and its CEO Ward Connerly failed to file campaign statements reporting the source of almost \$2 million contributed to promote the passage of Proposition 54 on the Oct. 7 ballot. An application for intervention in the lawsuit was filed on September 16 by a group known as the "DOE Class" of past and potential contributors to ACRC, seeking among other things to postpone a hearing on the FPPC's motion for preliminary injunction to an unspecified later date. The court went forward with the injunction hearing on September 19, 2004, denying the FPPC's motion on the ground that the factual record was not sufficiently developed to warrant a preemptive remedy. Defendants next brought a special motion to strike the complaint under Code of Civil Procedure § 425.16. On December 1, 2003, the Superior Court denied that motion. On December 3, defendants appealed to the Third District Court of Appeal, where briefing is now underway. On March 16, 2004, defendants/appellants filed their opening brief. A case management conference in the Superior Court has been continued to September 2, 2004.

5. FPPC v. Caroline Getty and Wild Rose, LLC

In this lawsuit filed in the Sacramento County Superior Court on October 16, 2003, the FPPC alleges that Caroline Getty and her wholly owned company Wild Rose, LLC made two \$500,000 contributions to the Nature Conservancy Action Fund of California in the name of Wild Rose, LLC, without disclosing that Ms. Getty was the true source of the contributions. The

first contribution, in 2000, was made to support the Propositions 12 & 13 campaign. The second contribution, in 2002, was made in support of the Proposition 40 campaign. Defendants filed a demurrer to the complaint, as well as a special motion to strike under Code of Civil Procedure § 425.16. On January 16, 2004, the Superior Court overruled defendants' demurrer, and denied the motion to strike. Defendants thereupon timely answered the Complaint.

6. *Evans v. FPPC, et al.; Walters v. FPPC, et al.*

The plaintiffs in these cases are State Assembly candidates on the March primary ballot. They obtained writs from the Sacramento Superior Court in December, allowing each to amend his Candidate Statement of Intention to change the indicated intent to accept or reject voluntary expenditure limits. The Secretary of State and the FPPC opposed plaintiffs' writ petitions, and the FPPC immediately sought a writ of mandamus in the Third District Court of Appeal to overturn the lower court's decisions. This petition was denied without comment, with one judge indicating he would grant the writ. The FPPC has filed a Notice of Appeal, to secure an appellate decision on the merits of the Superior Court's actions. The transcript has been prepared by the Superior Court and, once filed with the Court of Appeal, will commence the 30-day period in which to file the FPPC's opening brief.

7. *FPPC v. Cruz Bustamante, et al.*

In a lawsuit filed in the Sacramento County Superior Court on January 7, 2004, the FPPC alleges that Lieutenant Governor Cruz Bustamante and two of his controlled committees violated state campaign contribution limits and campaign disclosure laws in connection with the 2003 gubernatorial campaign, by receiving contributions in excess of the limits for contributions to the gubernatorial campaign, passing the contributions through the bank account of the 2002 Lieutenant Governor re-election committee, and reporting those funds as contributions to and expenditures by the Lieutenant Governor committee. Defendants were required by the court to file a response to the complaint by February 11, 2004, but were granted an extension of time. The due date is now March 29, 2004.

8. *FPPC v. Californians Against Corruption et al*

The case stems from a 1995 administrative prosecution of a recall committee that failed to properly itemize its contributors, in violation of § 84211. In November 1995, the FPPC issued a default decision and order against defendants, imposing an administrative penalty of \$808,000. The FPPC then moved in Sacramento Superior Court to convert the penalty to a civil judgment. Defendants filed a cross-complaint/petition for writ of mandate in the Superior Court, contesting the default decision. In July 2000, the Superior Court dismissed defendants' pleadings for failure to prosecute. In March 2001, the Superior Court granted the FPPC's motion for summary judgment in the collection action, and entered judgment for \$808,000 plus interest. Defendants failed to gain relief from the Third District Court of Appeal or the California Supreme Court, and then turned to the United States Supreme Court with a petition for writ of certiorari. The FPPC timely filed its opposition, and the Supreme Court has now denied the petition.

9. *Larry R. Danielson v. FPPC*

On March 13, 2004 Danielson filed a Notice of Appeal from a money judgment entered against him by the Sacramento County Superior Court. Danielson had previously sought a Writ of Mandate in that court, challenging a proposed decision by an Administrative Law Judge which the Commission adopted at its December 2002 meeting. On November 7, 2003, the Superior Court denied the appellant's petition. The FPPC then filed its complaint for a money judgment, and prevailed on an uncontested motion for summary judgment, which is the subject of the present appeal. No hearing date has yet been scheduled by the Court of Appeal.